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June 9, 2005

Mr. Rick L. Moore  
Managing Director  
Corporate Development  
SBC Communications, Inc.  
175 East Houston Street, Rm. 11-H-60  
San Antonio, Texas 78205

Mr. Thomas C. Pelto  
Vice President  
Law and Government Affairs  
919 Congress Avenue, Ste. 900  
Austin, Texas 78701

Re: Proposed SBC and AT&T Merger; Docket Numbers: T-03346A-05-0149  
T-03811A-05-0149  
T-03116A-05-0149  
T-02428A-05-0149  
T-02016A-05-0149  
T-03182A-05-0149  
T-03327A-05-0149

Dear Mr. Moore and Mr. Pelto:

As you know, AT&T and SBC recently filed with this Commission for approval of their proposed merger, which, if consummated, would be one of the most sweeping combinations of two telecommunications companies in U.S. history. It is up to the Federal Communications Commission, as well as state public utilities commissions, to determine whether the pairing is in the public interest. As the parties move forward and continue to file testimony in the matter, I would like consideration to be made of the following issues:

In the Direct Testimony filed by Mr. Moore on behalf of SBC, Mr. Moore states that the match between his company and AT&T is in part supportable because of the "synergies" that will be achieved. Among them are efficiencies that would result from the "elimination of duplicate facilities, consolidation of billing and operating and support systems".<sup>1</sup> Will these so-called synergies be achieved through reductions in force in Arizona? If so, how many jobs will

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<sup>1</sup> Moore testimony, pg. 16.

be eliminated as a result of the merger?<sup>2</sup> Please also detail for the Commission the number of persons employed by each affiliate of SBC and AT&T with operations in Arizona. Which, if any, Arizona facilities are expected to be shuttered as a result of the merger? Additionally, of the estimated \$2 billion in efficiencies projected to result from the merger, how much is related to the consolidation of the two entities in Arizona? Please also provide the Commission with any due diligence-related documentation showing where these anticipated synergies would be found.

Recently, AT&T announced that it was increasing its regulatory assessment fee on its long distance plan.<sup>3</sup> Do the parties have plans to further increase such fees in the wake of the merger? Have there been any discussions about or are there plans to request a rate increase for the newly-merged company's Arizona consumers? If so why, and what increase has been contemplated?

In his direct testimony, Mr. Moore notes that SBC does not have significant assets or a substantial customer base in Arizona.<sup>4</sup> AT&T's activities are more extensive, however, the company having made a recently aborted attempt to compete in the residential market. Do the parties anticipate a renewed effort to build the residential portion of AT&T's business or expand AT&T's business customer base in Arizona?

In his direct testimony on behalf of AT&T, Mr. Thomas Peltó discusses the fact that AT&T recently negotiated agreements with Qwest for the forced transition away from UNE-P's.<sup>5</sup> Will the merger have any beneficial effect upon those agreements or future negotiations with Qwest?

Mr. Peltó also raises the possibility that the merger will have a sanguine affect on rates, stating that the merger "when viewed against AT&T's continued operation as a stand-alone company, will positively impact competition, consumer rates, development of services, and long-term employment outlook." Please be specific as to each of these claims, in particular how the merger will benefit consumer rates. Are there plans to reduce rates and fees in Arizona?

Additionally, Mr. Peltó states that the newly merged company would operate under the same subsidiaries utilizing the same CC&N's on file at the Corporation Commission. Do the parties have any plans to eliminate or cancel any of those CC&N's either in the short or long term?

Finally, both companies tout the benefits of the AT&T Labs, which would see an infusion of new capital and apparently become a focal point of the newly merged entity. What specific benefits would be realized by Arizona consumers as a result of the AT&T Labs?

I look forward to reviewing the responses of the parties on this important matter.

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<sup>2</sup> On April 2, 2005, the AFL-CIO recently filed to intervene in this case.

<sup>3</sup> On April 1, 2005, the Company raised its regulatory assessment fee from \$.99 to \$1.49.

<sup>4</sup> Id, pg. 3 ("Our activities in Arizona are very limited.")

<sup>5</sup> Peltó testimony, pg. 8.

Mr. R. Moore and Mr. T. Pelto  
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Sincerely,

A handwritten signature in black ink, appearing to read "Kris Mayes", written in a cursive style.

Kris Mayes  
Commissioner

Cc: Chairman Jeff Hatch-Miller  
Commissioner William A. Mundell  
Commissioner Marc Spitzer  
Commissioner Mike Gleason  
Ernest Johnson  
Brian McNeil  
Heather Murphy  
Parties to the Docket